

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7985

BILL NUMBER: HB 1499

DATE PREPARED: Feb 13, 2001

BILL AMENDED: Feb 12, 2001

SUBJECT: Reassessment issues.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) ***Reassessment:*** This bill provides for the annual adjustment of assessed value of real property beginning with the 2006 assessment date. It defines unadjusted assessed value as the assessed value determined by local assessing officials and the State Board of Tax Commissioners before the application of an annual adjustment, and it provides for the use of unadjusted assessed values within the computation of a civil taxing unit's assessed value growth quotient. The bill also provides that the State Board of Tax Commissioners is a party to a local reassessment contract.

This bill permits the use of money in a county's General Reassessment Fund resulting from taxes levied for the 2005 general reassessment of real property for expenses relating to the current general reassessment if the county council determines that the money in the fund is insufficient to pay those expenses.

Land Valuation Commissions: It establishes a county land valuation commission in each county for determination of land values for property tax purposes.

Sales Disclosure: This bill requires each county auditor to establish a county Sales Disclosure Fund, and specifies permitted uses of the fund. The bill also establishes the Assessment Training Fund and requires the Treasurer of State to transfer \$500,000 from the state's share of sales disclosure form fees to the Assessment Training Fund.

Appeals Board: The bill amends the restrictions on qualification for membership on the county property tax assessment board of appeals. It provides that if the county assessor is a certified level 2 assessor-appraiser, the board of county commissioners may waive the requirement that one of the freehold members appointed by the board to the county property tax assessment board of appeals must be a certified level 2 assessor-appraiser. The bill allows the county assessor, fiscal body, and commissioners, if necessary, to waive the requirement that not more than three of the five members of the county property tax assessment board of appeals may be members of the same political party. The bill also allows a waiver, if necessary, of

the requirement that at least three members of the county property tax assessment board of appeals must be residents of the county.

State Board: The bill establishes the Division of Data Analysis of the State Board of Tax Commissioners.

Assessor Training and Certification: This bill amends assessor training and certification requirements. The bill provides for increased compensation for certain assessing officials who have attained level 2 assessor certification. It also authorizes per diem compensation for an assessor for service on a county land valuation commission.

Assessed Value: The bill provides that a notice is not required to change a taxpayer's assessment as a result of assessed value changing from one-third to 100% of true tax value. The bill divides the state forestry state property tax rate by 3 to conform with the scheduled switch to 100% true tax value. It also requires the use of the posted price of oil on the assessment date in the assessment of certain oil interests. (Current law uses a multiplier of 1/3 the posted price.)

Obsolescence Deduction: This bill provides a property tax deduction for certain real property that: (1) is located in an enterprise zone in Marion County; and (2) was allowed an obsolescence depreciation adjustment for property taxes assessed in the year before the owner purchased the property. It provides that the deduction is allowed only if the urban enterprise association for the enterprise zone in which the property is located approves the deduction and it provides that the deduction is equal to a specified percentage of the obsolescence depreciation adjustment that was allowed for property taxes assessed in the year before the owner purchased the property. The bill specifies that the deduction may be claimed for not more than four years.

Personal Property Returns: This bill extends the deadline for filing a personal property tax return by 30 days if the taxpayer gives notice of the extension to the township assessor.

Appeals: This bill provides that pending resolution of a disputed personal property assessment, the taxpayer pays tax on an amount based on the immediately preceding year's assessment of personal property.

The bill extends the period in which the Appeals Division of the State Board of Tax Commissioners must hold a hearing on an appeal petition from six months to nine months (and to one year for appeals of real property assessments in a general reassessment year). It also extends the period after the hearing for issuance of a determination of an appeal by the Appeals Division from 45 days to 90 days (and to 180 days for appeals of real property assessments in a general reassessment year). The bill requires the Division of Appeals of the State Board of Tax Commissioners to give notice of the date fixed for certain hearings at least 30 days before the date instead of at least ten days before the date.

The bill requires that determinations by the State Board of Tax Commissioners and the Tax Court be based on the record generated in the proceedings before the State Board of Tax Commissioners in matters concerning: (1) the assessed valuation of tangible property; (2) property tax deductions; (3) property tax exemptions; or (4) property tax credits. It provides that there is a rebuttable presumption in these matters that the county determination being appealed is correct. The bill also makes related changes.

Tax Exempt Property: This bill provides that exemption applications must be filed with the county assessor. The bill requires a nonprofit organization applying for a property tax exemption to attest that the property is not being used for an unrelated business and it requires the organization to notify the assessor if the use

of the property has changed and the property is taxable. The bill requires the county property tax assessment board of appeals to review each exemption two years after it is granted to determine whether the property still qualifies for the exemption and it requires the state board to adopt certain rules.

The bill requires the State Board of Tax Commissioners (State Board) to report the assessed value of all exempt property before December 1, 2004. It requires the State Board to determine the qualified assessed value of real property in Center Township of Marion County that is owned and occupied by the federal government, the state government, or a political subdivision. The bill also requires the State Board to report before December 31, 2004, the: (1) qualified assessed value of government-owned property in Center Township; and (2) tax rates that would have been in effect if that property had been taxable.

Effective Date: (Amended) January 1, 2000 (retroactive); Upon passage; January 1, 2001 (retroactive); March 1, 2001 (retroactive); July 1, 2001; January 1, 2002.

Explanation of State Expenditures: (Revised) ***Reassessment:*** The bill specifies that the State Tax Board would be a party to appraisal contracts. The State Tax Board would have the responsibility to ensure that the contract form adheres to the contract standard set by the Board and that the contract adequately provides for the transmission of assessment data to the state.

State Board: This bill would create the Division of Data Analysis within the State Tax Board. The division would compile a database including information from the Local Government Database, sales disclosure forms, personal property returns, real property assessment records, and exemption, deduction, and credit data. Much of this data is already available in machine readable form. The division would have to electronically compile data from the sales disclosure forms and information on exemptions, deductions, and credits.

The division would be required to conduct continuing studies of deductions, abateements, and exemptions. The division would report on the studies to the State Budget Committee and submit the report to the General Assembly every two years.

The division would also:

- Conduct continuing studies related to State Tax Board areas;
- Make periodic field surveys and audits of various documents useful in checking valuations and returns;
- Make test checks of valuations to serve as the basis for special reassessments;
- Conduct a coefficient of dispersion study for each township and county every two years;
- Conduct a sales assessment ratio study for each township and county every four years;
- Compute school assessment ratios; and
- Report the data obtained or determined to the Legislative Services Agency.

The Data Analysis Division would require large initial expenditures for computer equipment, software, and possibly contractor services to create the database. The division would also need to hire a division director, systems analyst, programmer, and several employees to review and analyze the data. The actual fiscal impact would depend on the final design of the database and the number of employees hired. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative

and administrative actions.

Assessor Training: Under this provision, the State Board of Tax Commissioners would be required to hold at least five training sessions for new assessing officials, assessors, and members of county property tax assessment boards of appeals. At least one session would be held in Marion County and at least four sessions would be held in other areas of the state. Current law does not specify the number of sessions and requires only that the sessions "must be held at sufficient convenient locations throughout Indiana."

The Tax Board currently holds a two-day training session in each of seven locations around the state after an election in which assessing officials are on the ballot. The sessions are currently held in Huntington, Valparaiso, Lafayette, Greenfield, Greencastle, Scottsburg, and Vincennes. In non-election years, the Tax Board holds sessions for new officials only in Indianapolis.

Current law requires the State Board of Tax Commissioners to hold continuing education sessions for all assessing officials, assessors, and members of, and hearing officers for, the county property tax assessment boards of appeals at "sufficient convenient locations throughout Indiana." Under the proposal, the State Tax Board would be required to offer enough continuing education sessions so that each level one and level two assessor may attend sessions every two years to maintain their certification. Training programs must include basic assessment administration and level one certification preparation.

Prior to 1999, the Tax Board held three one-half-day continuing education sessions each year at each of the seven locations listed above. In 1999 and 2000, the Tax Board held the same number of continuing education sessions at the same locations but increased them from one-half day to two-day sessions. This amounted to 21 two-day continuing education sessions each in 1999 and 2000.

The Tax Board appears to be currently holding sufficient training sessions, except for the number of training sessions offered to new officials in the non-election years, to satisfy the new requirements proposed in this bill. This bill would require the Tax Board to increase the number of training sessions offered to new officials in the non-election years.

The State Tax Board would also be required to give level one and level two assessor-appraiser examinations at times that coordinate with the training sessions conducted for new assessing officials, county assessors, or members of county property tax assessment boards of appeals. The State Board would be required to annually hold these examinations in at least four locations in addition to Indianapolis. Additionally, the Tax Board would be required to accommodate all individuals who wish to enroll at each examination session.

The State Tax Board could incur additional expenses for holding additional assessor-appraiser training sessions and certification examinations if necessary. These expenses would include staff travel and rent (if any) for meeting space. The actual impact would depend on the number and location of any additional meetings needed.

The bill requires the State Board to revoke the certification of any individual who commits fraud or misrepresentation with respect to the certification examination. The bill also requires the State Board to give notice to and hold a hearing to consider evidence before it may decide whether to revoke a certification.

Appeals: This bill contains several changes to the way in which the State Board of Tax Commissioners (State Tax Board) is required to conduct assessment appeals hearings and to the way that cases are presented to and reviewed by the Tax Court. All of the provisions, taken together, could have several effects including:

- 1) A possible reduction in the number of future cases appealed to the Tax Court.
- 2) A possible reduction in State Tax Board and Tax Court resources devoted to each case at the Tax Court level.

If State Tax Board resources are freed up as a result of this bill, the Tax Board would be able to devote these resources to other matters.

Individual Provisions: A) Under this bill, the State Tax Board would not be required to actually assess property when the property's assessment is under appeal. The State Tax Board would be permitted to limit the scope of the appeal to issues raised in the appeal petition and the evaluation of evidence presented in support of those issues. Since the State Tax Board rarely assesses property under appeal, this provision merely codifies current practice and would have no real fiscal impact.

This bill would also require the Tax Board to give notice of a hearing on a petition for review to the taxpayer and appropriate local assessing officials at least 30 days before the hearing date rather than the 10-day notice required under current law. Additionally, the State Tax Board would be required to conduct the hearing within one year after the petition is filed. The Tax Board would then be required to make a determination within six months after the hearing.

B) This bill would put the burden of proof on the petitioner when appealing an assessment. There would be a rebuttable presumption that the local assessment determination is correct. The petitioner would have to prove through the weight of the evidence that the local assessment determination is in error. Currently, when these cases progress to the Tax Court, the State Tax Board must defend the local assessment while defending the State Tax Board's determination. This provision would lessen the burden on the State Tax Board in defending a determination in a Tax Court case. The shift of this burden to the appellant might cause some reduction in the number of cases appealed to the Tax Court.

C) The bill requires the State Tax Board to include separately stated findings of fact for all aspects of a State Tax Board determination. This provision codifies current practice by the State Tax Board in creating a record for Tax Court cases.

D) Under current law, the Secretary of the State Tax Board must transmit a certified transcript of the appeal proceedings to the court. This proposal would require the Secretary to submit a certified record of proceedings to the Tax Court when appeals are heard. The record must include copies of all notices, petitions, motions, pleadings, orders, briefs, requests, rulings, photos, and other written documents. The record must also include evidence received by or considered by the State Tax Board and information on a site inspection, if any. The State Tax Board already includes this information in the transcript of proceedings prepared under current law.

E) The bill would require that judicial review must be confined to the record of proceeding before the State Tax Board in Tax Court cases involving appeals of determinations concerning property tax assessments, deductions, exemptions, and credits. The Court would be permitted to receive additional evidence only if it relates to the validity of the determination and is needed to decide disputed issues of (1) improper constitution as a decision making body or (2) unlawfulness of the procedure or decision-making process. Judicial review would also be confined to issues raised before the State Tax Board except in cases where (1) an issue concerns notification of commencement of a proceeding or (2) interests of justice would be served by judicial resolution arising from a change in law after State Tax Board action is taken. This provision would transform the Tax Court from a hybrid trial/appeals court into a strictly appeals court when considering State Tax Board cases.

Tax Exempt Property: Under this provision, the State Tax Board, with support from the Marion County Assessor, would be required to determine the "qualified assessed value" of federal, state, and local government-owned property in Center Township, Marion County. The Tax Board would publish a report before December 31, 2004, that includes the qualified AV of government-owned property in the township and an estimate of the net tax rate if the government property had been assessed. According to the bill, qualified assessed value does not mean fair market value or true tax value, but would approximate true tax value, and would be determined under special State Tax Board rules. As a result of these conditions, the Tax Board might not have to physically assess each government-owned parcel, but might be able to determine an estimated assessment based on available data. If, under the special rules, the Tax Board does not have to physically assess each parcel, then there would not be any real fiscal impact to this provision.

The State Tax Board would be required to publish a report containing the assessed value of all exempt real and personal property in each taxing district in the state that is listed on the tax duplicate. Some clearly exempt property never is assessed. However, the tax duplicate only includes "the value of all the assessed property of the county" (IC 6-1.1-22-3). There should not be any cost to compile the report since it would contain currently available data.

Explanation of State Revenues: ***Sales Disclosure:*** A sales disclosure form must be filed with the county auditor any time real property is sold or transferred for valuable consideration, except a transfer to charity. Filers pay a \$5 fee of which \$1 is deposited in the state General Fund. This bill would establish the Assessment Training Fund to be used for training assessment officials and State Tax Board employees. The \$1 portion of the sales disclosure filing fee that currently goes to the state General Fund would instead be deposited in this new fund. The FY 2000 revenue from the filing of sales disclosure forms was \$205,032. Additionally, the bill requires the transfer of \$500,000 from the Sales Disclosure Account of the state General Fund to the Assessment Training Fund in FY 2001. The Sales Disclosure Account has a current balance of \$878,000.

Explanation of Local Expenditures: (Revised) ***Land Valuation Commissions:*** Under this proposal, the county fiscal body would be permitted to grant a per diem to the county and township assessors for each day that the assessors are engaged in service to the county land valuation commission. The per diem rate for each county is set by the individual county. The fiscal impact of this provision depends on whether or not the county grants a per diem to the assessors, the amount of time that the assessors spend on commission work, and the per diem rate in the county.

Assessor Certification: This bill requires that county assessors who achieve a level two assessor-appraiser certification are to be paid an additional \$1,000 per year. This provision would increase expenses for county assessor salaries by up to \$92,000 per year, statewide.

Deputy county and township assessors and employees of the township assessor who achieve a level two assessor-appraiser certification are to be paid an additional \$500 per year. This provision would increase salary expenses for county assessor employees and township assessor employees. The total increase depends on the total number of employees who become certified.

These new compensation levels for county assessors and their employees and for township assessor employees could increase county General Fund expenditures. The above salary expenditure increases may come from an increased property tax levy or from money saved by reducing other expenditures. If the county already levies its maximum levy, then it could not increase taxes and instead would have to use current resources to fund the salary increases.

Reassessment: Under current law, each county is required to maintain a Property Reassessment Fund. The county is required to establish a levy each year that would cover a portion of the cost of future general reassessments. This bill would allow the county to use money in the fund that is earmarked for the March 1, 2005, reassessment to pay obligations for the March 1, 2002, reassessment if the county council determines a need.

Since the Property Reassessment Fund is controlled by the county's maximum permissible levy, any possible future levy adjustments to pay for the March 1, 2005, reassessment would have to be made within the levy constraints. If the county needs to raise a future Reassessment Fund levy, then it may have to do so by reducing another fund's levy. The county would not receive any additional levy authority under this provision.

Explanation of Local Revenues: (Revised) **Reassessment:** Under current law, real property is reassessed every four years. Under the bill, real property assessed values would be adjusted in the interim non-reassessment years beginning with 2006. The adjustments would be based on a system defined by State Tax Board imposed rules. The system of adjustments must promote uniformity, apply objectively verifiable factors, prescribe adjustment factors as necessary, and prescribe procedures for the application of the adjustments by assessing officials.

Currently, personal property (business tangible property, inventory and individual personal property) is reported each year on forms prescribed by the State Tax Board. These forms, in effect, reassess personal property each year. Since real property is not reassessed each year, and its value generally increases, there is a shift of the property tax burden each year from real estate taxpayers to personal property taxpayers until reassessment occurs. Beginning in 2004, this proposal would reduce or eliminate this shift by annually adjusting real property assessments. This provision would also reduce or eliminate the reassessment "shock" that many real property taxpayers currently experience after reassessment.

The annual real property adjustments would cause two additional things to happen under sections of current law not changed by this bill. First, maximum levy growth may be affected. Maximum levy limitations for local civil units are based on each taxing unit's three year average assessed value growth, not including a year of reassessment. The growth rate is subject to a minimum of 5% and a maximum of 10%. Most taxing units receive the minimum 5% increase. If a unit's actual AV growth becomes greater than 5% by adding the adjusted real property AV to the tax base each year, this provision could cause that unit to receive maximum levy increases that are greater than 5%. Property tax levies could increase under this proposal if the affected units choose to take advantage of any additional levy authority that they might receive.

Second, debt limits would be affected. Local civil units and school corporations are bound by a constitutional debt limit equal to 2% of AV. The annual revaluation beginning in 2004 would increase bonding authority on an annual basis for these units rather than only providing real increases in years of reassessment.

Land Valuation Commissions: County land valuation commissions were abolished by HEA 1783 (97) in favor of having township assessors determine land values by November 1 preceding the effective date of a general reassessment. Beginning July 1, 2001, this bill would reestablish the county land commissions in a similar form as they existed before 1997. Each commission would consist of nine members including the county assessor, who serves as chairman, two township assessors, one real estate broker or salesperson, four individuals representing the four classes of land, and one individual representing a financial institution. One of the township assessor seats would be filled with the assessor of the township currently under review.

Under this provision, the commissions would determine the value of all land in the counties using State Tax Board guidelines. The county property tax assessment board of appeals would review the values and make any necessary modifications necessary to provide uniformity and equality. The State Tax Board could modify the value of the taxpayer's land or any other land in the county or adjacent county in order to provide uniformity and equality.

Since the county land valuation commissions would determine land values on a county-wide basis, it is assumed that there would be an initial high level of uniformity within the county. Under current law, if the township assessors determine land values, the values would probably be uniform within the township, but they may not be uniform county-wide. Better uniformity among property assessments would help distribute the property tax burden.

Sales Disclosure: The county deposits \$4 of each \$5 sales disclosure filing fee into the county General Fund. This bill would create a Sales Disclosure Fund in each county to be used for administration of the form program and verifying information contained in the forms. Based on the amount of money forwarded as the state's share of the filing fees, it is estimated that counties received about \$820,000 from filers in FY 2000

Appeals Board : This bill makes several changes to the composition of the property tax assessment board of appeals (appeals board). Currently, the county commissioners must appoint at least one certified level two assessor-appraiser to the appeals board. Under this proposal, the county commissioners' appointments would not have to be level two assessor-appraisers if the county assessor is a certified level two assessor-appraiser.

This proposal also allows an appointed member of the property tax assessment board of appeals to serve on the boards of more than one county. The bill prohibits an employee or officer of a county or township, except for the county assessor plus one additional member, from serving on the county property tax assessment board of appeals in the county in which they are an officer or employee.

This proposal also allows the county assessor, county fiscal body, and county commissioners to agree to waive the current requirement that not more than three of the five appeals board members may be of the same political party. The waiver would be possible if there aren't any certified level two assessor-appraisers (1) who are willing to serve on the appeals board and (2) who are members of the political party that would otherwise be represented by two members on the board.

Some smaller Indiana counties may currently be having difficulty in filling vacancies on the appeals board with qualified persons under current law. The above changes may allow these counties to make all of the necessary appointments to the appeals board.

Assessed Value: Under current law, assessed value (AV) is equal to one-third of true tax value through the March 1, 2000 assessment date. Assessed value is currently scheduled to be equal to 100% of true tax value beginning with March 1, 2001 assessments. This change has no effect on tax levies or tax billings since tax rates will be reduced by two-thirds as a result of the AV change. The bill affirms that assessing officials do not have to mail a change of assessment notice to each taxpayer and that the assessment change is not grounds for an appeal.

Personal Property Returns: Under current law, personal property tax returns must be filed by May 15 each year. Before May 15, a personal property taxpayer may submit a written request to the township assessor for a 30-day extension, making the extended due date June 14. The township assessor has sole discretion in determining whether or not to grant the extension. Under this proposal, a personal property taxpayer would

receive an automatic 30-day filing extension if the taxpayer submits a written extension notice to the township assessor before May 15.

Currently, taxpayers who fail to file their returns timely are subject to a penalty. If the return is filed late and without extension, but by June 14, the penalty is equal to \$25. Returns that are filed without extension after June 14 are subject to the \$25 penalty plus a penalty of 20% of the tax due. If a taxpayer gives notice of an automatic 30-day extension under this proposal, the penalty dates would be delayed by 30 days and any penalties that are imposed could be reduced. Penalties are distributed to local taxing units along with property taxes.

Background Information: Township assessors must report of all of the personal property tax assessments in the township to the county assessor by June 1. The county assessor must report all of the property tax assessments in the county to the county auditor by July 1. The county auditor must then send a certified statement that includes information concerning assessed valuation to each taxing unit and the State Tax Board by August 1. This assessed valuation information is used in the preliminary budget work by each taxing unit.

Obsolescence Deduction: Current law requires State Tax Board real property assessment rules to allow for the determination of obsolescence. An obsolescence adjustment reduces the assessed value of real property. When a property that has been granted an obsolescence adjustment is rehabilitated, it will most likely lose its obsolescence adjustment.

This bill would allow the urban enterprise association in Marion County to approve a deduction against the assessed value of real property in an enterprise zone if the property has been sold and the former owner received an obsolescence adjustment. The deduction would be limited to four years and would be equal to the former obsolescence adjustment amount multiplied by a percentage. The percentage would be equal to 100% in the first year, 75% in the second year, 50% in the third year, and 25% in the fourth year. The deduction would first be available for taxes paid in CY 2002.

With the approval of the urban enterprise association, this bill, in effect, would allow the obsolescence adjustment to be phased out rather than having the adjustment disappear all at once when the property is sold and rehabilitated.

When assessed value is added to the tax base, the tax rate is reduced by shifting part of the tax burden from all taxpayers to the taxpayer with the added valuation. If the added valuation of the real property is phased-in over a four year period, then part of this shift would be delayed each year until after the fourth and final year of the deduction.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

Appeals: Under current law, taxpayers are not required to make property tax payments on disputed property values until the end of the appeal process. For personal property, the taxpayer is required to make payments based on the assessed value, as reported by the taxpayer and not in dispute, on the personal property tax return.

Under this bill, the required payment would instead be based on the taxpayer's personal property assessment

in the immediately preceding year. Appellant personal property taxpayers would be required to make property tax payments based on a higher valuation than under current law.

Currently, taxpayers who pay the tax on the disputed amount and then prevail in property tax appeals may file a refund claim with the county auditor. Interest on the refund is paid at a rate of 6% per year. In general, property tax refunds reduce a future property tax distribution to the civil taxing units and school corporations to which the taxes were distributed. Payments of any remaining tax when the taxpayer does not prevail on appeal are made with interest at a rate of 10% per year.

The higher payment basis required under this bill would have one of two effects, depending on the outcome of the appeal. Under both scenarios, local civil taxing units and school corporations would receive more of their expected levy while the appeal is pending. If the taxpayer prevails in the appeal, the refund due the taxpayer would be larger than under current law. This in turn would also increase the local expense for interest. The larger refund and interest payment would mean a larger reduction in future property tax distributions. If the taxpayer does not prevail in the appeal, then the local units will have had the benefit of better cash flow during the appeal without having to make a refund.

The actual fiscal impact will vary depending on the size and outcome of pending and future property tax appeals.

Tax Exempt Property: Under current law, taxpayers who own property that is exempt from property tax must file an exemption application with the county auditor. Under this proposal, taxpayers would file exemption applications and all related documents with the county assessor who would then notify the county auditor of the filing. Under this provision, the county assessor would be better informed as to the exempt status of property. The county assessor, as opposed to the county auditor, would collect the \$2 filing fee. The fee would continue to be deposited into the county General Fund.

This bill would require a person filing for an exemption to attest that a predominant part of the property is not being used for a business that is unrelated to the organization's exempt purpose. The bill also requires a not-for-profit corporation to notify the county assessor if the entity changes the use of exempt property and no longer qualifies for an exemption. Failure to make this notification before May 15 of the first ineligible year would result in a penalty of 10% of the tax due per year.

The bill would also require the county property tax assessment board of appeals to perform a review of all exemptions that are two years old to determine if the property is still eligible for the exemption. If the board of appeals determines that the property no longer qualifies for the exemption, the board would revoke the exemption and inform the county auditor. This provision could reduce the number and value of property tax exemptions. A drop in exemptions would increase the assessed value tax base and serve to reduce property tax rates.

Additionally, this bill would grant a property tax exemption to a taxpayer in New Albany, IN. The taxpayer is a not-for-profit fraternal organization that had previously received an exemption, but failed to file for their exemption against taxes to be paid in 2001. According to the Floyd County Auditor, the taxes due on the property because of the missed exemption filing are about \$10,000 for CY 2001. Since tax rates will be set before the exemption is granted by this bill, the exemption would reduce tax distributions for the local taxing units that service the property.

State Agencies Affected: State Board of Tax Commissioners; State Budget Committee.

Local Agencies Affected: County assessors; County auditors; County councils; Township Assessors; All local officials having reassessment duties; Marion County Auditor; Urban Enterprise Association; Local taxing units in Floyd County.

Information Sources: Floyd County Auditor.